

Message Text

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C O N F I D E N T I A L SECTION 1 OF 4 ATHENS 2423

E.O. 11652: GDS

TAGS: OGEN, PFOR, US, GR

SUBJ: ANNUAL POLICY ASSESSMENT -- GREECE

REF: STATE 9732 AND STATE 32826

I. INTRODUCTION

1. THE EMBASSY DID NOT SUBMIT A POLICY ASSESSMENT LAST YEAR. MOREOVER, MAJOR CHANGES HAVE TAKEN PLACE IN GREECE SINCE LAST JULY WHEN THE MILITARY REGIME GAVE WAY TO THE RETURN OF CIVIL GOVERNMENT. SUBSEQUENT EVENTS HAVE HAD AN IMPACT NOT ONLY ON THE INTERNAL GREEK POLITICAL SCENE BUT HAVE ALSO DIRECTLY AFFECTED OUR RELATIONS WITH GREECE.

2. WE HAVE THEREFORE APPROACHED THIS ANNUAL ASSESSMENT IN THE LIGHT OF A NEW SITUATION IN GREECE, CHARACTERIZED BY MANIFOLD POLITICAL AND ECONOMIC PROBLEMS, AS WELL AS BY PSYCHOLOGICAL ESTRANGEMENT FROM THE UNITED STATES AND FROM NATO CAUSED BY GREEK FRUSTRATION OVER CYPRUS AND RESIDUAL CYNICISM ABOUT AMERICAN AND NATO RELATIONS WITH GREECE'S DISCREDITED MILITARY RULERS.

3. OUR ASSESSMENT BEGINS WITH THE BACKGROUND AND AN ANALYSIS OF THE SITUATION IN GREECE AS WE SEE IT. WE THEN OUTLINE WHAT WE CONSIDER TO BE OUR PRINCIPAL OBJECTIVES IN GREECE TODAY. IN CONCLUSION WE SET FORTH OUR
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RECOMMENDED LINES OF ACTION TO MEET THESE OBJECTIVES WITH

A BRIEF STATEMENT OF OUR VIEWS ON THE RESOURCES WE WILL
NEED.

II. COUNTRY SITUATION: BACKGROUND AND ANALYSIS

A. GREECE AFTER THE COLONELS --- POLITICAL SETTING

4. GREECE IS EMERGING FROM A SEVEN-YEAR PERIOD OF ECONOMIC AND SOCIAL CHANGE WHICH WAS AT THE SAME TIME A PERIOD OF POLITICAL STAGNATION. INDUSTRIALIZING AND URGANIZING TRENDS WHICH BEGAN BEFORE THE ADVENT OF MILITARY GOVERNMENT IN 1976 HAVE GIVEN GREECE AN EVEN MORE "EUROPEAN" SOCIAL AND ECONOMIC STRUCTURE BUT THE DEVELOPMENT OF COMPARABLE POLITICAL INSTITUTIONS WAS RETARDED BY MILITARY RULERS WHO FAILED TO UNDERSTAND OR ALLOW THE POLITICAL EXPRESSION THAT SUCH SOCIAL AND ECONOMIC CHANGE DEMANDED. IT IS LIKELY THAT THE GROWING ASYMMETRY OF GREECE'S SOCIO-ECONOMIC AND POLITICAL DEVELOPMENT WAS AS MUCH OR MORE RESPONSIBLE FOR THE COLLAPSE OF MILITARY GOVERNMENT IN JULY OF 1974 AS THE ILL-JUDGED GREEK INTERVENTION IN CYPRUS WHICH PRECIPITATED IT. THE ASYMMETRY STILL EXISTS, THOUGH CONCEALED BY THE RETURN OF CARAMANLIS AS A NATIONAL LEADER AND BY HIS LANDSLIDE VICTORY IN THE NOVEMBER, 1974 ELECTIONS. SHOULD THE PRIME MINISTER AND HIS COLLABORATORS FAIL TO CREATE POLITICAL INSTITUTIONS CAPABLE OF RECONCILING THE INTERNAL STRESSES PRODUCED BY SOCIO-ECONOMIC CHANGE--FAIL, THAT IS, TO CREATE A POLITICAL SYSTEM LESS BRITTLE THAN SUCH SYSTEMS TEND TO BE IN GREECE--A NEW COLLAPSE COULD NOT ONLY OCCUR, BUT MIGHT ENTAIL REORIENTATION OF GREECE'S EXTERNAL POLICY IN WAYS SERIOUSLY THREATENING TO THE INTERESTS OF THE UNITED STATES.

5. FOR THIS REASON THE SUCCESS OR FAILURE OF CARAMANLIS IN LIBERATING GREEK POLITICAL LIFE FROM ITS RURAL ROOTS AND NEAR-OTTOMAN MENTALITY IS LIKELY TO HAVE A DIRECT EFFECT ON U.S.-GREEK RELATIONS. THE TRADITIONAL MESHING OF GREECE'S INTERNAL AND EXTERNAL AFFAIRS MEANS THAT SHOCKS IN ONE AREA INVARIABLY PRODUCE REPERCUSSIONS IN THE OTHER. DURING A PERIOD OF POLITICAL TRANSITION, WHICH WILL ENDURE AT LEAST THROUGH THE TIME OF THE NEXT GREEK ELECTION AND PERHAPS BEYOND, THE SYSTEM WILL REMAIN EXTREMELY SENSITIVE TO
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EXTERNAL SHOCKS AND, BY THE SAME TOKEN, TOO FRAGILE TO PROTECT GREEK FOREIGN POLICY FROM THE REPERCUSSIONS OF INTERNAL FAILURE. DISEQUILIBRIUM IN ONE AREA WILL ALMOST INEVITABLY PRODUCE DISEQUILIBRIUM IN THE OTHER.

B. GREEK FOREIGN POLICY

6. VIEWED AGAINST THIS BACKGROUND, THE

PRINCIPAL PROBLEMS TO BE ADDRESSED BY U.S. POLICY IN THE COMING YEAR IN GREECE--CYPRUS, GREECE'S BILATERAL MILITARY COOPERATION WITH THE U.S. AND ITS MULTILATERAL TIES WITH NATO--MUST BE APPROACHED WITH FULL AWARENESS THAT EACH HAS AN INTERNAL DIMENSION THAT CANNOT BE NEGLECTED LEST IT BECOME CONTROLLING.

7. THIS DOES NOT MEAN THAT GREECE'S EXTERNAL BEHAVIOR WILL BE RANDOM OR CAPRICIOUS. ON THE CONTRARY, DESPITE ITS SURFACE TURBULENCE, GREEK FOREIGN POLICY OPERATES WITHIN A FAIRLY NARROW SPECTRUM OF CHOICES, NONE OF WHICH HAS CHANGED SUBSTANTIALLY IN 150 YEARS. A COUNTRY WITH 8,600 MILES OF COASTLINE, 2000 ISLANDS (OVER 30 OF WHICH ARE WITHIN EYE-RANGE OF THE TURKISH MAINLAND), A POPULATION OF 9 MILLION, MODEST NATURAL RESOURCES, AND A LONG BORDER WITH THREE COMMUNIST STATES CONDUCTS ITS DIPLOMACY FROM A POSITION OF PERMANENT STRATEGIC VULNERABILITY. GREECE THEREFORE IS A COUNTRY THAT NEEDS NOT ONLY FRIENDS BUT ALLIES, AND AMONG ITS ALLIANCES NONE IS MORE ESSENTIAL THAN THE ONE THAT LINKS GREECE WITH THE SEAPOWER DOMINANT IN THE MEDITERRANEAN. HOWEVER MUCH THE GREEK PARLIAMENT AND PRESS MAY DISCUSS THE NEED TO DEVELOP "ALTERNATIVES " TO GREEK DEPENDENCE ON THE UNITED STATES--AND IN RECENT MONTHS WE HAVE HEARD MANY REFERENCES TO THE SUPPOSED ADVANTAGES OF A SPECIAL RELATIONSHIP WITH WESTERN EUROPE, OR THE ARABS, OR THE BALKAN STATES--THE GEO-POLITICAL REALITIES OF GREECE'S SITUATION ARE STUBBORN AND MOST OF THE CHOICES ARE PARTIALLY IF NOT ENTIRELY FICTITIOUS.

8. THE REAL CHOICE FOR GREECE IS CONTINUED ALIGNMENT WITH THE UNITED STATES AND ITS WESTERN EUROPEAN ALLIES OR ALIGNMENT WITH THE SOVIET UNION AND ITS EASTERN EUROPEAN
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DEPENDENCIES. THIS WAS ONE OF THE ISSUES THAT GREEKS FOUGHT EACH OTHER TO RESOLVE BETWEEN 1945 AND 1949. IT COULD BE REOPENED, BUT ONLY IN THE CONTEXT OF ANOTHER INTERNAL CONVULSION. THAT PROSPECT NEEDS TO BE WATCHED, FOR THE REASONS WE HAVE ALREADY SUGGESTED, BUT IT IS UNLIKELY TO BECOME THREATENING DURING THE PERIOD OF THIS ASSESSMENT AND, WITH SKILLFUL DIPLOMACY AND A REASONABLE AMOUNT OF LUCK, MAY RECEDE AFTER THAT TIME.

9. MORE DANGEROUS TO U.S. INTERESTS IN THE NEAR FUTURE IS THE POSSIBILITY THAT EVEN WITHOUT A DRASTIC REALIGNMENT OF GREECE'S FOREIGN POLICY, GREEK-U.S. RELATIONS, UNDER PRESSURE OF GREECE'S INABILITY TO SOLVE ITS INTERNAL AND EXTERNAL PROBLEMS, WILL DETERIORATE TO THE POINT WHERE NEITHER COUNTRY IS WILLING OR ABLE TO HELP THE OTHER. THE FIRST SYMPTOMS

OF SUCH A PARALYSIS APPEARED LAST SUMMER. WHILE THEY HAVE NOT MULTIPLIED SINCE THEN, THE DISEASE HAS BEEN ARRESTED RATHER THAN CURED. THIS IS THE REASON WHY ACHIEVING A SETTLEMENT OF THE CYPRUS DISPUTE AND RESTORING STABLE GREEK-TURKISH RELATIONS IN OTHER AREAS WHERE THEIR INTERESTS INTERSECT MUST BE AT THE HEART OF AMERICAN POLICY OBJECTIVES IN THE YEAR AHEAD.

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C. CYPRUS

10. IF CYPRUS WERE EXCLUSIVELY A BILATERAL PROBLEM IN GREEK-TURKISH RELATIONS, OR IF IT WERE EXCLUSIVELY AN INTERCOMMUNAL PROBLEM FOR THE GREEK AND TURKISH CYPRIOTS, THE ISSUES WOULD BE COMPLICATED BUT RELATIVELY CLEAR-CUT. THE FACT THAT CYPRUS IS BOTH ACCOUNTS FOR THE PERSISTENCE OF THE DISPUTE, THE TENDENCY OF THE COMPONENT ISSUES TO BLUR AT CRUCIAL MOMENTS, AND THE OFTEN UNCOORDINATED BEHAVIOR OF THE PARTICIPANTS. FROM THE STANDPOINT OF AMERICAN INTERESTS, HOWEVER, THE PROBLEM CAN BE SIMPLIFIED BY SEPARATING TO THE EXTENT POSSIBLE THE EXTERNAL FROM THE INTERNAL ISSUES. THE LATTER CAN ONLY BE RESOLVED BY THE TWO CYPRIOT COMMUNITIES OVER TIME. THE FORMER CAN ONLY BE RESOLVED BY ATHENS AND ANKARA, AND THE SOONER THE BETTER. INDEED, THE EXTERNAL OR GREEK-TURKISH DIMENSION OF THE CYPRUS DISPUTE IS ESSENTIALLY A FALSE FRONT. THE GREEK INTEREST IN CYPRUS IS ETHNO-HISTORIC AND THE TURKISH INTEREST STRATEGIC. YET NO GREEK LEADER TODAY ADVOCATES THE UNION OF CYPRUS WITH GREECE, AND THE ONE THING PROVED BY TURKISH MILITARY ACTIONS IN JULY AND AUGUST OF LAST YEAR IS THAT GEOGRAPHY IS A

BETTER GUARANTEE OF TURKISH STRATEGIC INTERESTS THAN THE LONDON-ZURICH ACCORDS.

11. THIS IS REASONABLY CLEAR IN ATHENS, WHERE CARAMANLIS HAS STATED BOTH PUBLICLY AND PRIVATELY THAT GREECE HAS NEITHER THE CAPABILITY NOR THE INTENTION OF GOING TO WAR WITH TURKEY OVER CYPRUS. IF IT BECOMES EQUALLY CLEAR
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IN ANKARA, AS IT SHOULD, GIVEN THE DISADVANTAGES OF THE STATUS QUO FOR THE TURKS, BILATERAL ASPECTS OF THE CYPRUS PROBLEM WILL PROVE MORE READILY NEGOTIABLE THAN THEY APPEAR ON THE SURFACE. EVEN THE OBSTRUCTIVE POWERS OF ARCHBISHOP MAKARIOS SHOULD BE LIMITED BY HIS INABILITY TO MOBILIZE SOVIET POWER OR NON-ALIGNED RHETORIC AGAINST THE TURKS. HIS NEXT BEST MOVE, TO PROMOTE INTERNAL GREEK POLITICAL PRESSURE ON THE PRIME MINISTER TO DEFEND MAXIMUM GREEK-CYPRIOI OBJECTIVES, IS ONLY FEASIBLE IF COUPLED WITH TOTAL TURKISH INFLEXIBILITY OR SHOULD CARAMANLIS BE SERIOUSLY WEAKENED BY REVERSES UNRELATED TO THE CYPRUS PROBLEM.

12. THERE IS THEREFORE REASON TO BELIEVE THAT IMAGINATIVE AND DEFT AMERICAN DIPLOMACY CAN REDUCE THE POTENTIAL DANGERS TO U.S. INTERESTS CREATED BY CYPRUS EVEN IF WE CANNOT ELIMINATE THE PROBLEM ALTOGETHER. SUCCESS OF THIS KIND, COMBINED WITH SOME ACCOMMODATION OF GREEK-TURKISH DIFFERENCES IN THE AEGEAN (WHICH HAVE BEEN COMPLICATED BY THE PROSPECT OF OIL DISCOVERIES) WOULD COOL THE TEMPERATURE OF GREEK-U.S. RELATIONS AND MAKE OUR OTHER PROBLEMS WITH GREECE MORE MANAGEABLE.

D. SECURITY

13. IN THE COMING YEAR "OTHER" PROBLEMS FUNDAMENTALLY MEAN THE ADJUSTMENT OF U.S. -GREEK MILITARY COOPERATION AND THE REDEFINITION OF GREECE'S ROLE IN NATO. IN THIS AREA WE ARE HOPEFUL THAT THE POLITICAL AND PSYCHOLOGICAL FACTORS WHICH UNDERLIE GREEK DISSATISFACTION WITH EXISTING AGREEMENTS AND PROCEDURES CAN BE ACCOMMODATED WITHOUT INFLECTING PERMANENT DAMAGE TO WESTERN SECURITY INTERESTS. AT A PRACTICAL LEVEL THE PRESENT GREEK GOVERNMENT AND THE GREEK MILITARY ARE AWARE THAT THEY GAIN MORE IN TERMS OF SECURITY THAN THEY LOSE IN TERMS OF SOVEREIGNTY FROM THEIR ALLIANCE WITH THE U.S. AND WITH NATO. THEY KNOW ALSO THAT DETENTE WITH THE SOVIET UNION AND IN THE BALKANS IS A MEASURE OF THE EFFECTIVENESS OF THE WESTERN ALLIANCE AND NOT A REASON FOR DISMANTLING IT. WHAT WE MUST SHOW THE GREEKS IS THAT ALTHOUGH THEIR TIES WITH THE WEST IN GENERAL, AND THE UNITED STATES IN PARTICULAR, WERE DESIGNED TO PROVIDE COLLECTIVE DEFENSE AGAINST A COMMON ADVERSARY, THOSE SAME TIES CAN

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MITIGATE THE DIFFERENCES THAT ARISE AMONG FRIENDS, AND
THAT NEITHER THE U.S. NOR NATO IS INDIFFERENT
TO GREECE'S SECURITY POSITION IN THE AEGEAN.

E. ECONOMIC AND COMMERCIAL

14. DEVELOPMENTS IN GREEK-U.S. ECONOMIC RELATIONS
TYPIFY THE MATURING PROCESS WHICH CHARACTERIZES OUR BILATERAL
RELATIONSHIP GENERALLY. FROM A RURAL SOCIETY WITH ITS
ECONOMIC BASIS IN PRIMARY PRODUCTION, LARGELY DEPENDENT
UPON U.S. ECONOMIC ASSISTANCE, GREECE HAS EVOLVED IN
THE LAST QUARTER CENTURY INTO AN URBANIZED SOCIETY, WITH
SERVICES AND SECONDARY PRODUCTION PROVIDING OVER 83 PERCENT OF
GNP (OVER \$2,000 PER CAPITA), AND WITH A HEAVY EMPHASIS
ON FORGING CLOSER TIES WITH THE EEC.

15. NOTWITHSTANDING THIS DRAMATIC EVOLUTION, GREECE
FINISHED 1974, AS DID ALL OF HER WESTERN ALLIES, GRAPPLING
WITH STAGNATION, INFLATION, AND BALANCE OF PAYMENTS
PROBLEMS. REAL GNP GROWTH IN 1974 DECLINED 2 PERCENT, THE
COST OF LIVING CLIMBED OVER 13 PERCENT, AND THE GOVERNMENT
DID WELL TO HOLD THE CURRENT ACCOUNT DEFICIT TO ABOUT \$1.2
BILLION IN LIGHT OF SKYROCKETING OIL PRICES. A LARGE-
SCALE MILITARY MODERNIZATION PROGRAM WILL FURTHER TAX LIMITED
BUDGET AND BALANCE OF PAYMENTS RESOURCES FOR THE SHORT AND
MEDIUM RUN: THE GREEK GOVERNMENT HAS MADE KNOWN ITS
INTEREST IN A U.S. CONTRIBUTION TO THE PROMOTION OF GREECE'S
ECONOMIC STABILITY DURING THIS DIFFICULT PERIOD OF ECONOMIC
AND POLITICAL ADJUSTMENT. ALTHOUGH GREECE HAS A CONSIDERABLE
NUMBER OF CLASSICALLY TRAINED ECONOMISTS, THE PRESENT
EDUCATIONAL SYSTEM IS NOT YET DESIGNED TO PRODUCE A RESERVOIR
OF PROGRESSIVE, MANAGEMENT-ORIENTED EXECUTIVES WHICH WILL BE
NEEDED FURTHER TO PROMOTE GREECE'S EVOLUTION INTO A MODERN
INDUSTRIAL SOCIETY. CHANGED ATTITUDES AND TRAINING
COULD ALSO FOSTER A FUTURE GREEK ROLE AS A BANKING/FINANCIAL
CENTER FOR THE AREA.

16. GREECE'S ASSOCIATION WITH AND EVENTUAL INTEGRATION
INTO THE EEC, A PROCESS WE HAVE ENCOURAGED AND SHOULD CONTINUE
TO ENCOURAGE, WILL SERVE TO INCREASE GREECE'S INTERDEPENDENCE
WITH THE WEST. AT THE SAME TIME, HOWEVER, THE U.S. WILL
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WISH TO ENSURE THAT THIS DEVELOPMENT DOES NOT ADVERSELY

AFFECT OUR OWN ECONOMIC POSITION IN GREECE; THE U.S. REMAINS AMONG GREECE'S TOP TRADING PARTNERS AND IS THE LEADING SOURCE OF INVISIBLE INFLOWS AND PRIVATE FOREIGN INVESTMENT. GREECE'S GROWTH RECORD IN THE LAST TWO DECADES AND POTENTIAL FOR THE FUTURE PROMISE A GROWING MARKET FOR U.S. EXPORTS, AS WELL AS OPPORTUNITIES FOR U.S. INVESTORS. IN PARTICULAR, GREECE'S MINERAL RESOURCES, TALENTED AND RELATIVELY STABLE LABOR FORCE, AND PROXIMITY TO OTHER GROWING EASTERN MEDITERRANEAN MARKETS ARE ATTRACTING THE ATTENTION OF AMERICAN INVESTORS.

F. LABOR

17. THE FUTURE DIRECTION AND ACTIVITIES OF THE GREEK LABOR MOVEMENT ARE NOT EASY TO ANTICIPATE. EMERGING LABOR LEADERS CAN BE EXPECTED TO CAPITALIZE ON THE VACUUM OF THE DICTATORSHIP PERIOD. CARAMANLIS HAS DEMONSTRATED RELATIVELY LITTLE PERSONAL INTEREST IN LABOR DEVELOPMENTS AND HAS YET TO DEVELOP A LABOR PROGRAM THAT IS BOTH APPEALING AND PRACTICAL. WHILE THE EXTREME LEFT TRADITIONALLY POLLS UNDER 15 PERCENT OF THE NATIONAL VOTE IN GREECE, AND HAS NOT AS YET GAINED AN EFFECTIVE HOLD ON THE LABOR UNION MOVEMENT, THIS IS A KEY TARGET FOR THE LEFT AND A VULNERABLE ONE. A PROLONGED PERIOD OF STRIKES COULD PARALYZE THE NATION'S ECONOMY AND IMPACT HEAVILY ON POLITICAL STABILITY. THERE ARE THUS NEW DIMENSIONS EVOLVING IN THE POST-JUNTA LABOR MOVEMENT WHICH DEMAND OUR CONTINUING ATTENTION.

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G. PSYCHOLOGICAL/SOCIAL

18. THE TWIN HUMILIATIONS OF THE CYPRUS TRAGEDY AND THE MISMANAGEMENT OF PUBLIC AFFAIRS FOR 7 1/2 YEARS BY A MILITARY DICTATORSHIP HAVE HAD A PRONOUNCED IMPACT ON THE NATIONAL MOOD OF GREECE. A POSITIVE SIDE-EFFECT HAS BEEN THE DEVELOPMENT OF A RELATIVELY HARMONIOUS PARTNERSHIP IN GOVERNMENT BETWEEN THE CARAMANLIS ADMINISTRATION AND THE NATIONAL PARLIAMENT, A YOUNGER, MORE DIVERSE AND RESPONSIBLE BODY THAN ITS PREDECESSORS. INTERNAL POLITICAL DEBATE, WHETHER IN PARLIAMENT OR IN THE PRESS, IS LESS BLINDLY PARTISAN AND CONSEQUENTLY LESS DESTRUCTIVE THAN IT USED TO BE. MAINTAINING AND IF POSSIBLE REINFORCING THIS INCIPIENT CONSENSUS IS ONE OF CARAMANLIS' PRINCIPAL OBJECTIVES. HIS CHANCES OF SUCCESS ARE BETTER THAN THEY WERE BEFORE GREEK DEMOCRACY COLLAPSED IN 1967, BUT WILL FINALLY BE DETERMINED BY THE GOVERNMENT'S PERFORMANCE IN HANDLING GREECE'S PRINCIPAL FOREIGN AND DOMESTIC PROBLEMS.

19. WHILE THERE IS AN ELEMENT OF CONSENSUS ALSO IN THE GREEK ATTITUDE TOWARD EXTERNAL PROBLEMS, THE SHORT-TERM EFFECTS ARE LESS WHOLESOME. DISILLUSIONMENT WITH GREECE'S TRADITIONAL ALLIES, NOTABLY THE UNITED STATES, IS THE LEAST COMMON DENOMINATOR INTO WHICH ALMOST ANY ISSUE IS DIVISIBLE. HOPEFULLY THIS MOOD, WHICH IS ROOTED IN GREECE'S SENSE OF IMPOTENCE AND A PATRON/CLIENT APPROACH TO FOREIGN RELATIONS, WILL PASS AND BE SUPPLANTED BY A HEALTHIER AND MORE OBJECTIVE

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PERCEPTION OF GREEK INTERESTS AND CAPABILITIES. AN IMPORTANT ELEMENT IN THIS TRANSFORMATION WILL BE THE NATION'S YOUTH--OVER 700,000 GREEKS UNDER 30 YEARS OF AGE WERE ELIGIBLE TO VOTE FOR THE FIRST TIME IN THE 1974 ELECTIONS--WHOSE ATTITUDES AND DEMANDS RESEMBLE THOSE OF EUROPEAN STUDENTS AND WHO, HOWEVER TROUBLESOME THEY MAY BE IN THE NEAR FUTURE, CAN PROVIDE SIGNIFICANT IMPETUS TO FORCES OF MODERNIZATION AND NATIONAL SELF-RELIANCE. THE GREEK GOVERNMENT'S ABILITY TO BUILD A MUTUALLY BENEFICIAL RELATIONSHIP WITH YOUTH DEPENDS ON AS YET UNFORMULATED PROGRAMS OF EDUCATIONAL AND SOCIAL REFORM. BALANCING YOUTH'S DEMANDS FOR INSTANT PROGRESS ARE THE TRADITIONAL AND ESSENTIALLY CONSERVATIVE ELEMENTS OF GREEK SOCIETY INCLUDING THE CHURCH AND THE ARMED FORCES.

III. OBJECTIVES

A. STRENGTHEN U.S.-GREEK RELATIONS IN THE POLITICAL FIELD.

--EXERT U.S. INFLUENCE AS NECESSARY AND FEASIBLE TO PROMOTE POLITICAL STABILITY IN GREECE AND

TO DEFEAT POTENTIALLY DESTABILIZING ACTIONS BY
LEFT OR RIGHT WING EXTREMISTS.

--CONVINCE GREEK LEADERSHIP AND PUBLIC OPINION
THAT THE U.S. OPPOSES ANTI-DEMOCRATIC TRENDS
IN GREECE AND BELIEVES THAT LONG-TERM POLITICAL
HEALTH AND PROGRESS IS BEST SERVED BY
REPRESENTATIVE GOVERNMENT.

--COUNTER ATTEMPTS IN GREECE TO SOW DISCORD
BETWEEN OUR TWO COUNTRIES AND DRIVE US APART.
B. RESTORE AND STRENGTHEN U.S.-GREEK RELATIONS IN SECURITY
AFFAIRS.

--PRESERVE ESSENTIAL U.S. FACILITIES IN AND
AGREEMENTS WITH GREECE.

--RESTORE RELATIONS OF MUTUAL TRUST AND CONFIDENCE
WITH GREEK MILITARY LEADERS.

--RESUME FULL GREEK PARTICIPATION IN MILITARY ARM
OF NATO.

--COOPERATE WITH GREEK GOVERNMENT TO INCREASE
EFFECTIVENESS AND EFFICIENCY OF ARMED FORCES.

C. ACHIEVE A CYPRUS SETTLEMENT ACCEPTABLE TO GREECE AND
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TURKEY.

--CONVINCE GREEK LEADERSHIP THAT U.S. ROLE IS
ESSENTIAL IN ACHIEVING A CYPRUS SETTLEMENT
ACCEPTABLE TO GREECE AND THAT U.S. WILL BE AS
CONSTRUCTIVE AND HELPFUL AS POSSIBLE.

--ENCOURAGE GREEK GOVERNMENT TO INCREASE ITS
INFLUENCE WITH GREEK-CYPRIOT COMMUNITY IN GENERAL
AND ARCHBISHOP MAKARIOS IN PARTICULAR TO ADOPT
FLEXIBLE POSITIONS IN THE CYPRUS NEGOTIATIONS AND
TO IMPLEMENT WHATEVER SETTLEMENT EMERGES.

--CONVINCE GREEK GOVERNMENT THAT IT WOULD BE
AGAINST GREEK INTERESTS TO ALLOW THE SOVIET
UNION TO PLAY A ROLE IN THE CYPRUS NEGOTIATIONS,
SETTLEMENT, OR GUARANTEE OF ANY SETTLEMENT.

D. ECONOMIC/COMMERCIAL OBJECTIVES

--COOPERATE WITH THE GREEK GOVERNMENT TO PROMOTE
CONDITIONS OF ECONOMIC STABILITY AND GROWTH
WHICH WILL FACILITATE RESTORATION OF TRUST
AND CONFIDENCE BETWEEN THE U.S. AND GREEK
GOVERNMENTS.

--ENCOURAGE GREEK ECONOMIC AND COMMERCIAL TIES
WITH THE U.S., AND A STABLE COMPLEMENTARY
RELATIONSHIP WITH THE EEC SO AS TO INCREASE
GREECE'S INTER-DEPENDENCE WITH THE WEST.

--PROMOTE U.S. EXPORTS OF GOODS AND SERVICES TO
GREECE.

E. INFORMATION/CULTURAL OBJECTIVES

--CONDUCT A SKILLFUL AND CAREFULLY TARGETTED

PUBLIC INFORMATION PROGRAM TO IMPROVE THE IMAGE
OF THE U.S. GOVERNMENT IN GREECE AND TO INCREASE UNDERSTANDING
OF OUR POLICIES, STRESSING THE IMPORTANCE TO GREECE OF U.S. SUPPORT,
COOPERATION AND GOOD WILL.
--RECOGNIZING THE INFLUENCE OF CULTURAL FACTORS
IN GREEK FOREIGN AND DOMESTIC AFFAIRS, DEVELOP
AND CARRY OUT PROGRAMS WHICH EMPHASIZE THE
COMPATIBILITY OF U.S. AND GREEK VAULE SYSTEMS.

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IV. RECOMMENDED LINES OF ACTION

20. IN THE LIGHT OF THE ANALYSIS PRESENTED ABOVE AND IN ORDER
TO ACHIEVE THE U.S. OBJECTIVES SET FORTH, THE EMBASSY
RECOMMENDS THE FOLLOWING SPECIFIC LINES OF ACTION:

A. POLITICAL

21. SEVEN AND A HALF YEARS OF AUTHORITARIAN
MILITARY RULE, AND PRESENT GREEK DISTRUST AND SUSPICIONS,
AS A RESULT OF THIS PERIOD AND CYPRUS, REGARDING U.S.
MOTIVES REQUIRE A MAJOR EFFORT ON OUR PART TO RESTORE GREEK
CONFIDENCE IN U.S. GOOD FAITH AND OUR CONTINUED SUPPORT FOR
REPRESENTATIVE GOVERNMENT IN GREECE. OUR SUCCESS IN THIS
RESPECT WILL DEPEND ON THE MANY FACTORS SET FORTH IN THIS
PAPER AND TO A LARGE EXTENT THE OUTCOME IN CYPRUS AND THE
ASSISTANCE WE ARE ABLE TO PROVIDE IN THE SECURITY AND
ECONOMIC FIELDS. IN ADDITION, BOTH IN ATHENS AND IN
WASHINGTON, WE SHOULD TAKE EVERY OPPORTUNITY TO MAKE THE
RECORD CLEAR AND AVOID FALSE REPORTS OR MISREPRESENTATIONS

FROM POISONING U.S.-GREEK RELATIONS.

22. MOREOVER, BOTH THE EMBASSY AND USIS HAVE AN IMPORTANT ROLE TO PLAY IN REACHING THE NEW LEADERS OF GREECE NOT ONLY IN THE PARLIAMENT BUT ALSO IN THE JOURNALISTIC, ARTISTIC AND INTELLECTUAL WORLDS. WE WILL ALSO HAVE TO DEVOTE GREATER ATTENTION TO THE GREEK TRADE UNION SCENE AND ESTABLISH CONTACTS WITH TRADE UNION LEADERS.
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IN FACT, THIS GROUP AND GREEK YOUTH SHOULD BE GIVEN PRIORITY ATTENTION IN OUR GENERAL EFFORTS. FINALLY, IN ALL THE IMPORTANT AREAS OF GREEK POLITICAL LIFE, WE SHOULD ENCOURAGE INTERCHANGE WITH COUNTERPART GROUPS IN THE U.S. IN THE PARLIAMENTARY AREA IN PARTICULAR, WE SHOULD SUPPORT EXCHANGES OF VISITS BY THE CONGRESS AND THE PARLIAMENT. THE INTERNATIONAL VISITORS PROGRAM SHOULD BE ONE OF OUR MORE IMPORTANT TOOLS FOR PROMOTING BOTH OUR CULTURAL AND POLITICAL OBJECTIVES IN GREECE AND WE, THEREFORE, RECOMMEND AN INCREASE IN THE NUMBER OF GRANTS ALLOCATED TO US.

B. SECURITY

23. WE BELIEVE THE APPROACH WE HAVE TAKEN IN THE BILATERAL SECURITY NEGOTIATIONS IS CORRECT AND SHOULD BE CONTINUED, I.E., TO BE AS FORTHCOMING AND CANDID AS POSSIBLE IN NEGOTIATING THE STATUS OF OUR BASES AND FACILITIES WHILE TRYING TO IMPRESS UPON THE GREEKS THE COMMONALITY OF OUR INTERESTS AND THE INTERDEPENDENCE THAT EXISTS IN OUR SECURITY RELATIONSHIP. WE SHOULD BE PREPARED AND WILLING TO CUT BACK OUR PRESENCE HERE TO THE MINIMUM NEEDED TO MEET OUR ESSENTIAL REQUIREMENTS. AT THE SAME TIME WE SHOULD CONTINUE TO MOVE DELIBERATELY IN ADDRESSING GREECE'S ALTERED STATUS IN NATO AND TO THIS END WORK CLOSELY WITH OTHER NATO MEMBERS AND THE SECRETARY GENERAL IN PREVENTING A CONFRONTATION ATMOSPHERE FROM DEVELOPING IN BRUSSELS.

24. RECENT CHANGES IN THE LEADERSHIP OF THE GREEK ARMED FORCES, AS A RESULT OF DEJUNTIZATION AND OTHERWISE, REQUIRE THAT WE REBUILD THE CLOSE RELATIONSHIP THAT HAS TRADITIONALLY EXISTED BETWEEN US IN THE POST-WORLD WAR II PERIOD. THIS WILL REQUIRE, IN THE FIRST INSTANCE, A CONTINUING FORTHCOMING U.S. POSTURE ON THE QUESTION OF MILITARY ASSISTANCE. THIS IS NECESSARY NOT ONLY TO RESTORE CONFIDENCE IN OUR BILATERAL SECURITY RELATIONS BUT EQUALLY SO TO REASSURE THE GREEK POLITICAL AND MILITARY LEADERSHIP WITH RESPECT TO THEIR OWN REAL CONCERNS OVER THEIR COUNTRY'S NATIONAL SECURITY. U.S.

MILITARY ASSISTANCE WILL ALSO HAVE A BEARING ON THE MORALE
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AND SELF-CONFIDENCE WITHIN THE ARMED FORCES THEMSELVES.

25. SERIOUS CONSIDERATION SHOULD, THEREFORE,
BE GIVEN TO THE GREEK REQUEST FOR REINSTATEMENT OF GRANT
MILITARY ASSISTANCE, OR, FAILING THIS, THAT MILITARY
SALES BE MADE ON AS FAVORABLE TERMS AS POSSIBLE.
ANY MILITARY ASSISTANCE PROGRAM SHOULD TAKE SPECIAL ACCOUNT
IN ITS TRAINING COMPONENTS TO BUILD NEW BRIDGES TO THE
POST-1950 GENERATION OF YOUNG JUNIOR AND MIDDLE-GRADE
OFFICERS. THE DEFENSE ATTACHES AND OTHER U.S. MILITARY
PERSONNEL IN GREECE SHOULD ALSO GIVE HIGH PRIORITY TO
CULTIVATING CLOSE CONTACTS WITH THESE OFFICERS.

C. CYPRUS

26. IN SEEKING TO ACHIEVE A SATISFACTORY
CYPRUS SETTLEMENT, WE SHOULD CONTINUE TO WORK IN CLOSE
COOPERATION WITH THE GREEK GOVERNMENT AND ESPECIALLY WITH
ITS LEADERSHIP AT THE HIGHEST LEVELS. WE SHOULD
NOT ASSUME THE RESPONSIBILITY OF PRESENTING AN OVERALL PLAN
FOR A CYPRUS SETTLEMENT NOR DO WE BELIEVE IT IS POSSIBLE,
AT LEAST FOR THE IMMEDIATE FUTURE, FOR THE U.S. TO ASSUME
THE ROLE OF FORMAL MEDIATOR. OUR PRINCIPAL EFFORTS
SHOULD CONTINUE TO CONCENTRATE ON BRINGING THE PARTIES
DIRECTLY CONCERNED TO THE NEGOTIATING TABLE
AND KEEPING THEM THERE UNTIL THEY ACHIEVE AN ACCEPTABLE
AGREEMENT. THIS WILL REQUIRE USING OUR INFLUENCE, AND
WHATEVER PRESSURE WE CAN WHEN NECESSARY, NOT ONLY IN ATHENS,
BUT ALSO IN ANKARA AND NICOSIA. WE DO NOT BELIEVE
THIS APPROACH SHOULD PRECLUDE OUR TAKING THE INITIATIVE WHEN
SERIOUS DEADLOCKS DEVELOP TO ADVANCE PRIVATELY AND
DISCREETLY, AND AS OBJECTIVELY AS POSSIBLE, ALTERNATIVE
POSSIBILITIES FOR CONSIDERATION BY THE FOUR PARTIES CONCERNED
IN EFFORTS TO SOLVE SPECIFIC ISSUES (E.G. ON THE GEOGRAPHIC
SHAPE OF A FEDERAL CYPRUS, ON THE RETURN OF REFUGEES, ON
GUARANTEES, ETC.).

D. ECONOMIC/COMMERCIAL

27. WE HAVE ALREADY INDICATED TO THE GREEK
GOVERNMENT OUR READINESS TO CONSIDER SYMPATHETICALLY ITS
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REQUEST FOR ECONOMIC ASSISTANCE, TO THE EXTENT OUR OWN RESOURCES AND POSSIBILITIES PERMIT. WE SHOULD NOW PRODUCE CONCRETE ASSISTANCE IN RESPONSE TO GREEK EXPECTATIONS.

28. OBVIOUSLY WE ARE NOT IN A POSITION TO MEET ALL OF GREECE'S ECONOMIC AID REQUIREMENTS. WE SHOULD, THEREFORE, ENCOURAGE THE GREEK TO TURN EQUALLY TO THE EUROPEAN COMMUNITY TO MEET THEIR NEEDS. IN ADDITION TO PROMOTING THIS IN ATHENS, WE SHOULD USE OUR INFLUENCE ALSO IN THE CAPITALS OF THE NINE (AND ESPECIALLY BONN) AND WITH THE EC COMMISSION IN BRUSSELS. THE U.S. SHOULD ALSO USE ITS INFLUENCE IN SUCH INTERNATIONAL INSTITUTIONS AS THE IMF AND IBRD TO PROVIDE MAXIMUM PRACTICABLE FINANCIAL SUPPORT TO GREEK ECONOMIC STABILITY AND DEVELOPMENT.

29. CONTINUED PROMOTION OF U.S. EXPORTS TO GREECE'S BURGEONING INDUSTRIAL SECTOR, INCLUDING ESPECIALLY "BIG-TICKET" MAJOR PROJECTS, IS IMPORTANT. OUR ATTENTION IS ALSO NEEDED IN SUPPORT OF U.S. DIRECT INVESTMENT ACTIVITY, PARTICULARLY IN SECTORS OF MAXIMUM BENEFIT TO GREECE'S ECONOMIC DEVELOPMENT.

E. INFORMATIONAL/CULTURAL

30. EVIDENCING SUPPORT FOR DEMOCRATIC GOVERNMENT WHILE UNDERLINING OUR SHARED SYSTEM OF VALUES THROUGH OUR INFORMATION AND CULTURAL PROGRAMS IS PARTICULARLY IMPORTANT DURING THIS CRITICAL PERIOD OF POLITICAL AND SOCIAL TRANSITION. OUR CULTURAL PROGRAMS SHOULD AIM AT COMPLEMENTING GREECE'S OWN RICH HERITAGE AND AT DEMONSTRATING OUR OWN CREATIVITY AND LEADERSHIP IN MODERN ART FORMS. WE SHOULD TAKE ADVANTAGE OF TRADITIONAL CULTURAL EVENTS, SUCH AS THE ATHENS FESTIVAL, TO ARRANGE FOR PARTICIPATION BY PRESTIGIOUS AMERICAN ARTISTS AND ARTISTIC GROUPS.

31. THE GREEK PRESS PLAYS AN IMPORTANT ROLE IN SHAPING PUBLIC OPINION INCLUDING ATTITUDES TOWARD THE U.S. THROUGH SELECTIVELY TARGETED TRAVEL GRANTS, JOURNALISM SEMINARS, AND REINFORCEMENT OF OUR INFORMATIONAL/NEWS RELEASE SERVICES, WE SHOULD INCREASE EFFORTS TO WORK FOR A MORE ACCURATE AND SYMPATHETIC PERCEPTION OF THE UNITED STATES AND

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OF GREEK-U.S. RELATIONS IN THE GREEK PRESS.

V. RESOURCES

32. WE BELIEVE THAT WITH SOME FURTHER INTERNAL READJUSTMENTS WE HAVE ADEQUATE STAFF RESOURCES TO UNDERTAKE THE ACTIONS NECESSARY TO MEET OUR OBJECTIVES.

33. OUR ABILITY TO ACHIEVE OUR OBJECTIVES IN THE
SECURITY AND ECONOMIC FIELDS, WHICH WILL OBVIOUSLY HAVE A
MAJOR IMPACT ON OUR INTERESTS GENERALLY, WILL, OF COURSE,
DEPEND ALMOST ENTIRELY ON THE INCREASED FUNDING REQUIREMENTS
WE HAVE SUBMITTED TO WASHINGTON SEPARATELY.
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